

AMENDED IN ASSEMBLY MAY 26, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 2778

Introduced by Assembly Member Lieber
(Coauthor: Assembly Member Saldana)

February 24, 2006

An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

AB 2778, as amended, Lieber. Electricity: self-generation incentive program.

Under existing law, the Public Utilities Commission (*PUC*) has regulatory authority over public utilities, including electrical corporations. Existing law requires the commission, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004, *subject to certain air emissions and efficiency standards. In a decision, the PUC adopted the California Solar Initiative, which modified the self-generation incentive program for distributed generation resources and provides incentives to customer-side photovoltaics and solar thermal electric projects under 1 megawatt.*

This bill would require the commission, in consultation with the Energy Commission, to administer, until January 1, ~~2017~~ 2012, a self-generation incentive program for distributed generation resources ~~in the same form that exists on January 1, 2004~~ *applicable to all eligible technologies, as determined by the commission, except for*

photovoltaic technologies, which the commission would be required to administer separately, after January 1, 2007, pursuant to the California Solar Initiative. The bill would require the commission to report to the Legislature by July 1, 2010, with an evaluation of the self-generation incentive program.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 379.6 of the Public Utilities Code is
2 amended to read:

3 379.6. (a) The commission, in consultation with the State
4 Energy Resources Conservation and Development Commission,
5 shall administer, until January 1, ~~2017~~ 2012, the self-generation
6 incentive program for distributed generation resources originally
7 established pursuant to Chapter 329 of the Statutes of 2000.
8 ~~Except as provided in subdivision (b), the program shall be~~
9 ~~administered in the same form as it existed on January 1, 2004.~~
10 *The extension of the program pursuant to this subdivision shall*
11 *apply to all eligible technologies, as determined by the*
12 *commission, except for photovoltaic technologies, which the*
13 *commission shall administer separately, after January 1, 2007,*
14 *pursuant to the California Solar Initiative adopted by the*
15 *commission in Decision 06-01-024.*

16 (b) Eligibility for the self-generation incentive program's level
17 3 incentive category shall be subject to the following conditions:

18 (1) Commencing January 1, 2005, all combustion-operated
19 distributed generation projects using fossil fuel shall meet an
20 oxides of nitrogen (NO_x) emissions rate standard of 0.14 pounds
21 per megawatthour.

22 (2) Commencing January 1, 2007, all combustion-operated
23 distributed generation projects using fossil fuel shall meet a NO_x
24 emissions rate standard of 0.07 pounds per megawatthour and a
25 minimum efficiency of 60 percent. A minimum efficiency of 60
26 percent shall be measured as useful energy output divided by fuel
27 input. The efficiency determination shall be based on 100 percent
28 load.

29 (3) Combined heat and power units that meet the 60-percent
30 efficiency standard may take a credit to meet the applicable NO_x

1 emissions standard of 0.14 pounds per megawatthour or 0.07
2 pounds per megawatthour. Credit shall be at the rate of one
3 megawatthour for each 3.4 million British thermal units (Btus) of
4 heat recovered.

5 (4) Notwithstanding paragraphs (1) and (2), a project that does
6 not meet the applicable NO_x emission standard is eligible if it
7 meets both of the following requirements:

8 (A) The project operates solely on waste gas. The commission
9 shall require a customer that applies for an incentive pursuant to
10 this paragraph to provide an affidavit or other form of proof, that
11 specifies that the project shall be operated solely on waste gas.
12 Incentives awarded pursuant to this paragraph shall be subject to
13 refund and shall be refunded by the recipient to the extent the
14 project does not operate on waste gas. As used in this paragraph,
15 “waste gas” means natural gas that is generated as a byproduct of
16 petroleum production operations and is not eligible for delivery
17 to the utility pipeline system.

18 (B) The air quality management district or air pollution control
19 district, in issuing a permit to operate the project, determines that
20 operation of the project will produce an onsite net air emissions
21 benefit, compared to permitted onsite emissions if the project
22 does not operate. The commission shall require the customer to
23 secure the permit prior to receiving incentives.

24 (c) In administering the self-generation incentive program, the
25 commission may adjust the amount of rebates, include other
26 ultraclean and low-emission distributed generation technologies,
27 as defined in Section 353.2, and evaluate other public policy
28 interests, including, but not limited to, ratepayers, and energy
29 efficiency and environmental interests.

30 (d) *On or before July 1, 2010, the commission shall report to*
31 *the Legislature with an evaluation of the self-generation*
32 *incentive grant program.*